A BILLION HERE, A BILLION THERE:
The Empirical Data Add Up

NCRP's Second Report on How Sec. 105 of H.R. 7 Would Help Charities, Preserve Foundations and Encourage Their Efficiency

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About NCRP:

Founded in 1976, the National Committee for Responsive Philanthropy (NCRP) is dedicated to helping the philanthropic community advance the traditional values of social and economic justice for all Americans. Committed to helping funders more effectively serve the most disadvantaged Americans, NCRP is a national watchdog, research and advocacy organization that promotes public accountability and accessibility among foundations, corporate grantmakers, individual donors and workplace giving programs.

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Background

On June 2, 2003, the National Committee for Responsive Philanthropy (NCRP) released "Helping Charities, Sustaining Foundations," an analysis of Sec. 105 of H.R. 7, the Charitable Giving Act of 2003 (the report is available at http://www.ncrp.org/HelpingCharities.pdf). This provision of H.R. 7 would reduce and simplify the foundation investment excise tax from 2 percent to 1 percent and would no longer allow private, non-operating foundations to count overhead costs toward their minimum charitable spending (or "payout") requirement.[1]

In essence, this provision would retain foundation payout at its current level of 5 percent of non-charitable use assets, while focusing the requirement to consist almost entirely of grants to nonprofit organizations. The current interpretation of the legislation suggests that program related investments (PRIs), which are basically foundation loans to nonprofit organizations, will still count toward foundations' charitable spending requirement.

Our analysis found that removing foundations' overhead costs from what they count toward their minimum charitable spending requirement could pump anywhere from $2 billion (using 1999 Internal Revenue Service data) to $4.3 billion (using 2001 data from the National Center for Charitable Statistics) into the nation's charities. We also estimated that this provision would not place a large financial burden on foundations, as it would on average only increase foundation annual expenses by four-tenths of one percent (0.4 percent) of foundation assets.

The measure also offers foundations an incentive to make wiser and more efficient decisions about their overhead costs by ensuring that those costs will come out of their own bottom lines rather than at the expense of charitable grants. In addition, the measure offers foundations a special tax break that they have long pursued, with its proposed reduction in the excise tax, thereby adding to an overall assessment that the measure is balanced and offers something to help not only charities but foundations as well.

For these reasons and after analyzing relevant research, we found that Sec. 105 of H.R. 7 represents a modest and reasonable tax reform that would help charities with billions of dollars in new grants while sustaining foundations for the long term and encouraging foundation efficiency. We strongly support Sec. 105 of H.R. 7 and encourage the House Ways and Means Committee to retain the language that is in this section of the bill related to private, non-operating foundations' overhead expenses. Finally, in our analysis we also strongly recommended that revenue generated by the excise tax be used for IRS oversight and data services for the foundation and nonprofit sectors.

On June 9, 2003, the Council on Foundations – the organization that represents and lobbies on behalf of its approximately 2,000 foundation members – released a response to NCRP's report. We welcome the Council's feedback on our analysis and are especially pleased to see that the Council shares our goal of increasing funding for the IRS to conduct foundation oversight

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[1] Throughout this document, our second report on Sec. 105, we sometimes refer to "payout" as "charitable spending requirement." Similarly, we refer to "operating and administrative costs" as "overhead costs." Total "overhead costs" corresponds to amounts that foundations report in Part I, Line 24d on IRS Form 990-PF, the annual financial accounting form private foundations must submit to the IRS.

functions. We hope that the Council's response demonstrates a willingness on the part of the foundation sector to engage the nonprofit sector in an open dialogue on the incomes, expenditures, missions, and public responsibilities of institutional philanthropy in the United States.

This document continues the dialogue on Sec. 105 of H.R. 7 that we initiated with our "Helping Charities" report, and presents findings from NCRP's follow-up analysis on 10-years' worth of IRS data on private, non-operating foundations. Our results are below, as are some thoughts on the Council's response to our initial policy and data analysis.

IRS Statistics on Foundation Charitable Spending and Overhead

The Internal Revenue Service is currently analyzing private foundation data from 2000 and expects to release a report on its findings in Fall 2003. The IRS's most recent publicly accessible data analysis on private foundations relied on 1999 data. While the data are a few years old, the IRS statistics can and should inform the current dialogue. NCRP also acquired IRS data on private, non-operating foundations from 1989 through 1999 to help assess overall trends in foundation expenses, and not just a data snapshot from one point in time. These data are drawn from the annual Statistics of Income sample of Forms 990-PF. From the IRS data, NCRP has found:

- **Extrapolating from IRS data accepted by even the Council on Foundations itself, NCRP found that in 2003, private, non-operating foundations will spend an estimated $3.2 billion on overhead costs that they will count toward their charitable spending requirement. That would translate into nearly 26,000 additional average sized grants that could be made this year if foundations ended their widespread practice of counting their overhead costs toward their minimum charitable spending requirement.**

In its response to our first analysis of Sec. 105 of H.R. 7, the Council on Foundations indicated some limitations in the NCCS data that NCRP cited in one part of our analysis of foundation overhead expenditures. In particular, the Council noted that the NCCS statistics for 2001 included both operating and non-operating (grantmaking) foundations. Sec. 105 of H.R. 7 would not impact operating foundations, which mostly provide direct services and make few grants.[2]

There was, however, no specific criticism from the Council regarding NCRP's use of a 1999 IRS estimate that non-operating foundations spent a little more than $2 billion on payout-related overhead costs.[3] Therefore, to arrive at a more widely accepted estimate for the potential impact of Sec. 105, NCRP used IRS statistics on the total amounts that private, non-operating foundations spent (in constant dollars) each year from 1989 through 1999 on payout-related overhead expenses to estimate the potential current year overhead expenditures of private

[2] The Foundation Center estimates that there were just under 3,500 operating foundations in existence in 2000.
[3] The Foundation Center also commented on our report, and suggested that the IRS data were more reliable.

foundations. Between 1989 and 1999, the payout-related overhead expenditures of private, non-operating foundations increased by an annual average rate of 9.1 percent.[4]

Based on this rate, we estimate that in 2003, private, non-operating foundations will spend up to approximately $3.2 billion on payout-related overhead costs. Considering that according to the Foundation Center the average size of a grant in 2002 was $134,274, nearly 26,000 additional average sized grants could be made in 2003 if foundations were not able to count their operating and administrative costs toward their payout.[5]

- **The largest foundations account for the largest share of the overhead expenses counted under the heading of charitable spending. In 1999, less than one percent of foundations spent more than half of the overhead expenses that foundations categorized under their charitable spending requirement.**

The IRS's own analysis[6] of 1999 data for private, non-operating foundations found that the 521 largest foundations (with assets of $100,000,000 or more), spent $1.042 billion on payout-related overhead expenses.[7] This finding means that, just 0.9 percent (521 out of 58,840) of all private non-operating foundations spent 51.3 percent ($1.042 billion out of $2.033 billion) of the overhead expenses that were included in foundation payout in 1999. These largest private, non-operating foundations had assets totaling $266 billion in 1999, and paid out $11 billion in grants – in other words, the largest foundations devoted 4.1 percent of their assets to charitable grants that year.

In NCRP's "Helping Charities" report, we examined the breakdown of the overhead expenses counted toward the 5 percent minimum payout of the top 100 largest grantmaking foundations (according to NCCS data), drawing from these foundations' IRS Form 990-PF filings. In this report, we present the same expense data from the IRS for 1989 through 1999 for ***all*** private, non-operating foundations. The pie chart in Attachment B provides a breakdown of these expenses.

- **On average, total compensation annually accounted for 44.1 percent of total overhead costs that private, non-operating foundations counted toward their minimum charitable spending requirement.** As was the case with the top 100 foundations, the bulk of these payout-related overhead expenses over the 10 years of data was devoted to compensation of directors, officers, and trustees; staff salaries; and pension plans and other employee benefits. The next

[4] The actual rates of change varied from a high of 24.1 percent to a low of 1.7 percent. This wide variation leads us to conclude that an average growth rate of 9.1 percent is appropriate to use when inflating the figures for 2000, 2001, 2002, and 2003, since 2000 and 2001 probably had high rates of growth and 2002 and 2003 had lower rates.
[5] The Foundation Center's statistics are based on a sample of 124,844 grants of $10,000 or more awarded by 1,007 larger foundations.
[6] Melissa Ludlum, "Domestic Private Foundations and Charitable Trusts, 1999." IRS, Statistics of Income Bulletin, 2002.
[7] Some foundations include nearly all of their overhead costs in their payout; others include almost none; and still others include some other ratio. On average throughout the 1990s, the IRS data show that all private, non-operating foundations included 43 percent of their overhead costs in payout. In 2001, according to data from the National Center for Charitable Statistics (NCCS), the 100 largest grantmaking foundations included 62 percent of their overhead costs in payout. See the graph in Attachment A.

largest share of these expenses was devoted to "other" expenses, which foundations are required to explain and itemize in attachments to their Form 990-PF filings. Among the several such attachments that we tried to acquire at http://www.guidestar.org/, we found that some foundations provide only vague details about these expenses. Further, especially for larger foundations, it is often difficult to find specific attachments, since many of these foundations submit filings to the IRS that are between 500 and 1,500 pages in length.

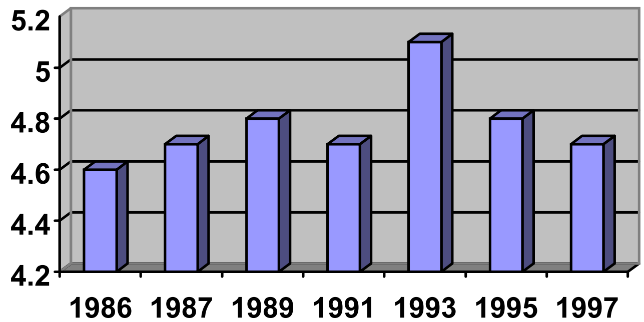
- **By way of contrast, accounting and legal fees – often associated with accountability functions – on average only accounted for 6.2 percent of the overhead expenses foundations counted toward their charitable spending requirement.** This is an important finding, considering that several foundation leaders have voiced opposition to Sec. 105 of H.R. 7 because it would deter foundations from spending money on legal and financial counsel that help foundations remain accountable to and within the boundaries of existing government regulations. In reality, however, foundations are not spending much payout-related money for these oversight purposes. Given the foundation sector's purported concern about accountability, it is noteworthy that some foundations threaten that these relatively small accountability-related overhead costs (6.2 percent) that are being counted toward foundations' charitable spending requirement would be in jeopardy if Sec.105 passes – while there does not seem to be comparable public speculation that foundations might first consider cutting the far larger share of their payout-related overhead going to total compensation (44.1 percent).

- **Larger foundations generally had lower payout rates and higher overhead costs than other foundations, according to the IRS's analysis of data from 1985-1997.** The IRS recently analyzed data on the 100 largest private, non-operating foundations on file from 1985 through 1997.[8] For this analysis, close attention was paid to payout rates among four different classes of foundations, based on asset size (less than $400 million; $400 million to $600 million; $600 million to $1 billion; and greater than $1 billion).[9] Except for 1989, when the largest foundations had a 4.8 percent payout rate and the next largest class had a 4.7 percent payout rate, the billion dollar and larger foundations had the lowest payout rates for each year studied. The following chart displays the average payout rates for these largest private non-operating foundations across the years studied:

[8] Melissa Whitten (Ludlum), "Large Nonoperating Private Foundations Panel Study, 1985-1997." IRS, Statistics of Income Bulletin, 2001. We only cite **IRS-calculated** payout statistics from this report. According to the IRS document, "To calculate the payout rate, the amount of (adjusted) qualifying distributions was divided by the amount of the monthly average of net investment (or noncharitable-use) assets. This payout formula adjusts qualifying distributions with additions and subtractions that are made to the required "distributable amount" on Form 990-PF. The numerator of the formula also includes excess distributions made in the past and applied to the filing requirement of the current year."

[9] In 1997, there were 25 foundations in the under $400 million category; 32 in the $400 million to $600 million category; 17 in the $600 million to $1 billion category; and 26 in the $1 billion or more category.

Average Payout Rates for Non-Operating Private Foundations (Assets of $1 Billion or More)



This panel study provided data on the assets, grants paid, and average payout rates (across 1985-1997) for these foundations. Attachment C to this report includes these data for the 50 largest foundations on the IRS's list. We also calculate the ratio of grants to assets for each of these foundations for 1985 and 1997. In 1985, twelve foundations reported a grants-to-assets ratio greater than or equal to 5 percent. In 1997, after several years of unprecedented foundation asset growth, only four did so. The average grants-to-assets ratio actually fell slightly between 1985 and 1997, from 3.41 percent to 3.36 percent.

Attachment D presents 2001 operating and administrative cost data and ratios for these same 50 foundations. The Ford Foundation tops the list, with nearly $140 million in total operating and administrative costs in fiscal year 2001.

Even more telling is the fact that only 13 of these top 50 private, non-operating foundations had an average IRS-defined and calculated payout rate greater than or equal to 5 percent for the period 1985-1997. *In other words, even when including their administrative expenses in their payout calculations, the nation's largest foundations appear to be falling short of the 5 percent minimum payout requirement that currently exists, according to the IRS's definitions, data and calculations.*

The IRS analysis shows that the largest non-operating private foundations have the lowest payout rates among all foundations – some seem to be even well below the 5 percent minimum required by law – and report the bulk of payout-related overhead costs. Logically, a very large percentage of the $3.2 billion spent on administrative and operating costs would need to be devoted to grantmaking if H.R. 7 were passed into law. This finding contradicts a major point raised in the Foundation Center's response to our initial report.

Finally, we analyzed Foundation Center data to track the growth of foundation assets and grantmaking across the past 25 years. Attachment E displays these data, and shows the huge gap – which has grown to greater than $400 billion – between what foundations have and what they give away to nonprofit organizations.

Foundation Perpetuity

- **Proponents of foundation perpetuity can rest assured that Sec. 105's proposed 0.4 percent average change in foundation spending falls well within the realm of what research indicates is sustainable. This is true not only when looking at research about foundations' investment returns, but even more so when one takes into account other key sources of foundation revenue that the Council's analysis ignores.**

The Council raises concerns about NCRP's use of two studies – one of which was commissioned by the Council itself – that suggest foundations can be devoting more than just 5 percent of their assets to charitable spending and still earn returns on their financial corpus. The Council claims that higher payout rates over time actually diminish an individual foundation's grantmaking capacity, since the payout rate is being based on assets that are growing at a slower rate than they would if the payout rate were lower. The Council also claims that "a foundation must earn an average return of 9.5 percent return [sic] on its investments to sustain the purchasing power of its corpus, pay its investment management costs, and distribute 5 percent of its assets annually for charitable purposes."

These claims are based on the erroneous assumption that the only revenue that a foundation earns is through investment returns. According to NCCS data from 2002, 45 percent of the nearly 67,000 foundations on file (which includes both operating and non-operating foundations) reported *receiving* a contribution, gift or grant. The NCCS data also show that foundations as a whole earned $307 million from rental income, and another $1.9 billion from "other" (presumably non-investment) sources. The Council's studies imagine a foundation that does not reflect philanthropy as it exists today: a one-time-capitalized foundation with no other possibilities of revenue infusions. The reality of today is that foundations are being created by individuals and families who continue to infuse new resources into their institutions. They are not entirely dependent by any stretch of the imagination on returns in the stock market for maintaining and expanding their endowments.

Further, the philanthropic field as a whole has grown tremendously in the past twenty years. The annual creation of new foundations adds new money into the sector. Notwithstanding the current economic slowdown, the predicted intergenerational transfer of wealth will lead to additional new foundations and expanded philanthropic giving for some time to come. This consistent increase in new philanthropic dollars – combined with a more realistic assessment of how foundations earn their revenues – practically guarantees that foundation giving will continue to grow, even if foundations are required to pay out more of their assets.

Many observers challenge the validity of the Council's market earnings figure of 9.5 percent, which incorporates a higher inflation factor than current inflation dynamics. Moreover, while the foundation sector looks at the question of perpetuity with an eye to the buying power of foundation endowments, that is, factoring in the impact of inflation on endowments, no such consideration is given to the diminished buying power of grants to nonprofits made in the distant future. Foundations indicate that expanding their endowments means larger grantmaking in the distant future, without acknowledging that the "present value" of those future grants is significantly less than grants made now. If foundations are concerned about the buying power of their assets, they should be doubly concerned about the buying power of the grants they will make to the nonprofits delivering services to and representing America's disadvantaged and disenfranchised populations.

Beyond all of these reasons that the Council's analysis appears to fall far short of accounting for the true level of charitable spending that foundations could sustain while preserving themselves for the long term, there is the finding from the Council's own research that bears underscoring:

The 1999 Council-sponsored study conducted by DeMarche Associates Inc. showed that foundations could have sustained a 6.5 percent charitable giving level from 1950 to 1998 and still grown their assets by 24 percent. That 6.5 percent level contemplated in the study is 1.5 percent greater than the current 5 percent charitable spending requirement. As NCRP's first analysis revealed, Sec. 105's proposed modification in the composition of foundation charitable spending would result in an average annual increase of 0.4 percent of foundation assets (or less, if foundations were to take the opportunity Sec. 105 presents to enhance their administrative efficiency). If one compares the 1.5 percent difference in charitable spending contemplated in the DeMarche study with the 0.4 percent change that could come from Sec. 105, one sees the current proposal amounts to a change that is less than one-third the magnitude of the change that the Council's own research demonstrated to have been sustainable over the nearly-half-a-century period from 1950 to 1998.

Our point here is that if one combines all of these things – the Council's research and the other research in the field, and foundations' multiple other sources of revenue beyond their investment income – one sees a robust foundation sector that could easily sustain Sec. 105's modest change in the composition of foundations' charitable spending requirement.

IRS Oversight and Foundation Accountability to the Public

- **Due to insufficient funding, the IRS is failing to provide the foundation sector with the oversight and information services that it desperately needs – seriously undermining the public accountability vital to the sector and to the American taxpayers who subsidize it. According to the Council on Foundations, in 1990 the IRS audited nearly 4 percent of all foundations on file. In 1999, that percentage had fallen to 0.4 percent.**

The 1999 IRS analysis also revealed that 51,221 foundations (82 percent of all those on file in 1999) reported paying an excise tax. Nearly 60 percent of these foundations paid a 2 percent tax, which generated nearly $365 million in revenue for the US Treasury. Foundations paying at the 1 percent level generated just over $365 million in revenue.[10]

[10] According to the IRS, "domestic foundations are taxed at a rate equal to 2 percent of their worldwide net investment income." If a foundation's qualifying distributions exceed a 5-year average of qualifying distributions (plus 1 percent of current investment income), the foundation would qualify for the 1 percent excise tax rate. Domestic operating foundations that meet public support tests are exempt from the tax, which explains why some foundations did not pay an excise tax in 1999 (Ludlum 2002).

Revenue that the excise tax generates is supposed to be used to fund IRS oversight of foundations. Unfortunately, most of this revenue is being used for other purposes (the fiscal year 2001 budget of the IRS's tax-exempt division is just $58 million, according to the Council on Foundations), which has resulted in an IRS that is unable to adequately regulate the rapidly growing foundation sector. Questionable – and potentially illegal – expenses at two foundations were recently uncovered by either the media or family members close to the foundations.

- **NCRP welcomes the Council on Foundations' recent show of concern for the need for enhanced public oversight of foundations, and suggests the following collaborative action for the Council, NCRP and all who share this concern about foundation accountability: The proposed simplification and reduction of the foundation excise tax should be coupled with a move to direct the revenue raised from the remaining tax to strengthen funding for the IRS's tax-exempt organizations division.**

We mentioned in our original analysis of Sec. 105 of H.R. 7 that "The Council on Foundations and its members have long claimed that strict government oversight of the foundation community's administrative and operating expenditures is unnecessary, citing the seemingly high ethical standards within the community and its leadership."

In response, the Council stated "The Council has asked, time and again, for an increase in funds to conduct oversight." NCRP's review of the Council's website, however, did not find any such language directly or prominently stated in the Council's current information fact sheets on Sec. 105 of H.R. 7, not in its pre-drafted letters on Sec. 105 of H.R. 7 for Council members to use to lobby against this provision, nor an "action alert" related to the Council's previous calls for complete repeal of the private foundation excise tax.[11] In fact, an article from the April 2001 "Council Columns" newsletter encourages Council members to lobby Congress for complete repeal of the excise tax. The same article includes a statement by Republican Rep. Cliff Stearns, who introduced a bill to repeal the excise tax, which states that money generated by the excise tax is being "wast[ed]" on the federal government.

If the Council truly wants the IRS to be better funded for the purposes of foundation oversight, then we invite the Council to work with NCRP to link revenues generated from a potentially reduced excise tax to the IRS budget for tax-exempt services. Sec. 105 of H.R. 7 provides the Council – and individual foundations, too – with a rare opportunity to tangibly work to realize its call for enhanced public oversight, accountability and enforcement of standards of ethics and probity.

Sec. 105 of H.R. 7 is a concrete and immediate opportunity for using the private foundation excise tax as it was intended, to enhance public accountability. The Council's website unfortunately calls for the complete elimination of the excise tax, which would undermine the opportunity that H.R. 7 presents for a potential re-linking of the excise tax to this important oversight purpose.

[11] This review of the Council's website was conducted during the week of June 16, 2003.

Conclusion

Based in part on the Council on Foundation's response to NCRP's initial analysis on Sec. 105 of H.R. 7, we have been able to refine our estimates of this provision's potential impact on the nation's charities. As stated earlier, we estimate that up to $3.2 billion in new grant money could be freed up if private non-operating foundations were no longer allowed to count their overhead expenses in their payout calculations.

Further, we are also more certain that foundations can sustain the modest increase in expenses that Sec. 105 would create. As we stated in our original analysis, based on IRS data, this provision on average will only increase annual foundation expenses as a percentage of assets by four-tenths of one percent (0.4 percent). In this era of extreme government cutbacks, high unemployment, and increased demands for services, America's charities are frequently being asked to "do more with less." Sec. 105 of H.R. 7 offers America's foundations – whose total assets are over $400 billion – a chance to share some of this burden. Reforming the composition of foundations' charitable spending requirement would free up billions of dollars in grants for charities while only slightly increasing foundation expenses by no more than 0.4 percent of assets on average. Surely the modest nature of this reform will allow foundations to remain in business while giving them an opportunity to more effectively carry out their charitable missions and help keep nonprofit doors open.

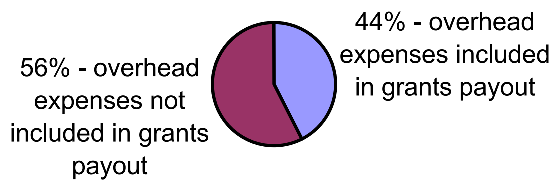
When Congress in the past addressed questions of foundations' charitable spending and whether they were meeting the public obligations that came with their special tax status, there was great trepidation in the foundation community about whether foundations would even survive. Yet since Congress enacted a charitable spending requirement, both the numbers of foundations and their overall assets have blossomed robustly – and they have made a significant contribution enhancing America's nonprofit sector.

Sec. 105 of H.R.7 is far narrower in scope than the legislation that has confronted the foundation sector in the past, and we believe that at the end of the day, if the research is viewed with more light than heat, it will be apparent that the foundation sector will thrive in the wake of Sec. 105's passage – just as the sector has thrived after far more aggressive challenges years ago.

Quite simply, further analysis reaffirms NCRP's initial findings that Sec. 105 of H.R. 7 represents a balanced and reasonable tax reform that would help America's charities with billions of dollars in new grants while sustaining foundations for the long haul and encouraging foundation efficiency.

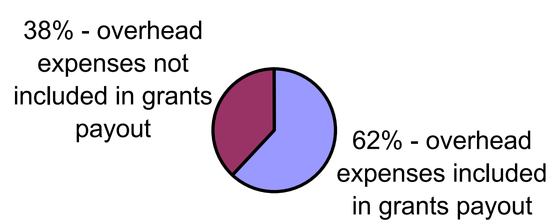
Attachment A

Average Foundation Overhead Expenses, 1989-1999



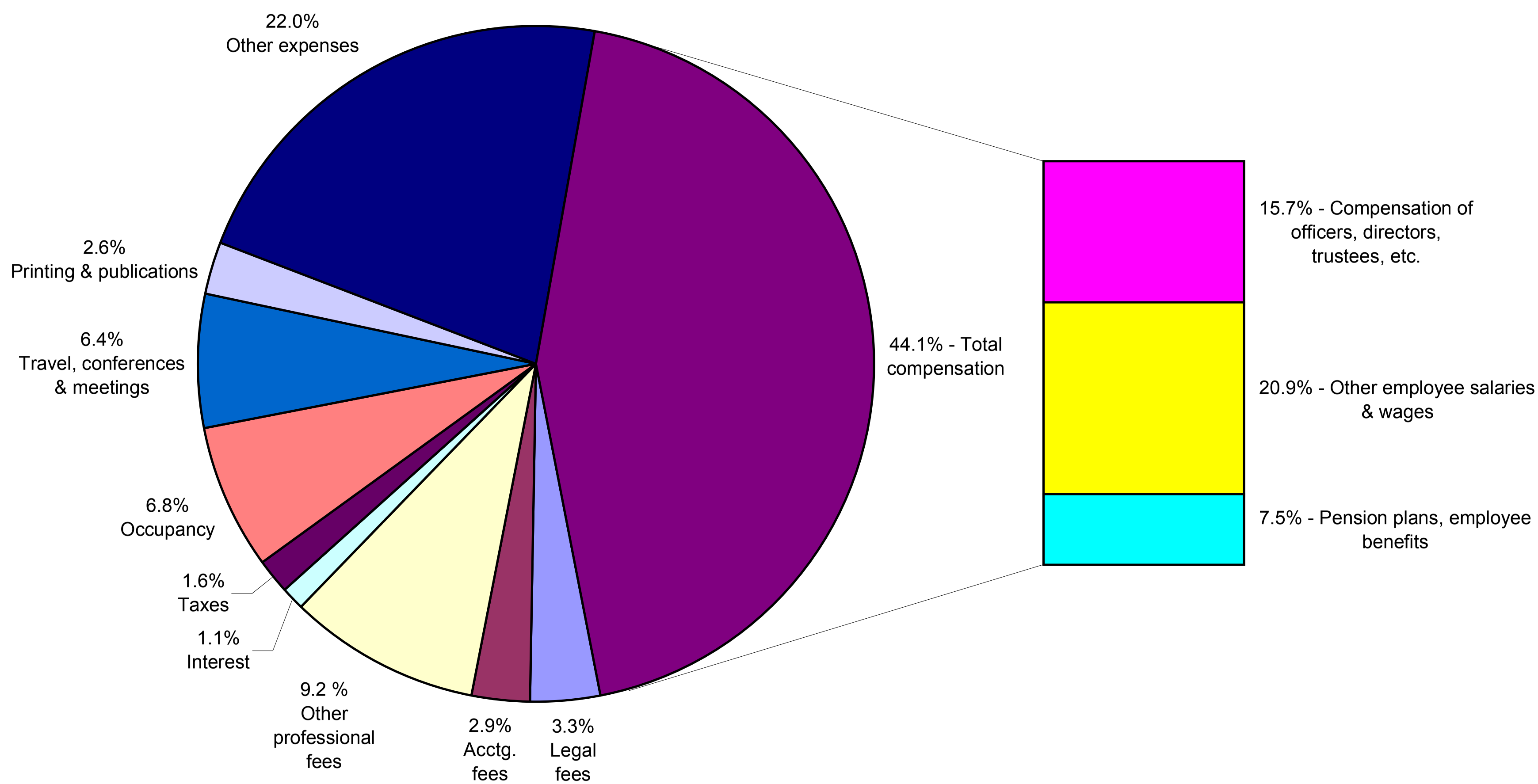
Source: NCRP Analysis of Internal Revenue Service Data

Top 100 Foundations - Overhead Expenses, Fiscal Year 2001



Source: NCRP Analysis of National Center for Charitable Statistics (NCCS) data, 2001

ATTACHMENT B: Average Annual Payout-Related Overhead Expenses of Private, Non-Operating Foundations, 1989-1999



Source: NCRP Analysis of Internal Revenue Service Data

ATTACHMENT C: Large Non-operating Private Foundations - Grants, Assets, and Payout Rates, 1985-1997

	1985			1997			
Foundation	FMV of Total Assets	Contributions, gifts, and grants	Ratio of Grants to Total Assets	FMV of Total Assets	Contributions, gifts, and grants	Ratio of Grants to Total Assets	Average Payout Rate[1], 1985-1997
1) Lilly Endowment	1,804,360,323	36,723,429	2.0%	11,240,400,474	249,253,042	2.2%	3.8%
2) Ford Foundation	6,457,948,709	228,342,150	3.5%	9,490,389,726	431,976,866	4.6%	4.8%
3) David & Lucile Packard Foundation	160,739,437	10,831,011	6.7%	8,821,156,968	169,763,413	1.9%	6.7%
4) Robert Wood Johnson Foundation	2,096,391,638	24,555,850	1.2%	6,606,099,364	231,460,444	3.5%	4.6%
5) WK Kellogg Foundation Trust	4,086,455,598	103,582,576	2.5%	5,162,126,770	322,707,209	6.3%	4.3%
6) John D. & Catherine T. MacArthur Foundation	3,116,358,791	73,345,761	2.4%	3,953,055,206	153,974,431	3.9%	4.5%
7) Robert W. Woodruff Foundation	70,024,108	2,031,850	2.9%	3,610,139,249	44,997,439	1.2%	3.8%
8) Andrew W. Mellon Foundation	1,877,886,249	86,129,275	4.6%	3,137,668,563	118,351,300	3.8%	4.6%
9) Rockefeller Foundation	1,826,019,691	49,946,256	2.7%	3,035,540,414	97,364,158	3.2%	4.7%
10) Pew Memorial Trust	1,821,310,772	67,476,955	3.7%	2,958,572,726	139,587,975	4.7%	4.6%
11) Starr Foundation	555,917,165	11,774,157	2.1%	2,492,982,425	73,498,534	2.9%	4.0%
12) Kresge Foundation	1,273,340,940	6,004,885	0.5%	2,062,753,175	13,042,851	0.6%	4.7%
13) Duke Endowment	888,603,299	58,238,620	6.6%	1,942,566,287	51,483,632	2.7%	4.9%
14) Charles Stewart Mott Foundation	900,695,926	35,322,832	3.9%	1,926,262,905	76,056,186	3.9%	4.5%
15) Harry & Jeanette Weinberg Foundation	23,920,271	561,236	2.3%	1,809,835,510	57,768,620	3.2%	4.5%
16) William & Flora Hewlett Foundation	697,241,548	40,510,788	5.8%	1,784,854,073	37,909,301	2.1%	5.1%
17) McKnight Foundation	853,974,098	35,954,383	4.2%	1,677,162,841	74,719,545	4.5%	4.6%
18) Richard King Mellon Foundation	796,211,244	29,013,093	3.6%	1,502,039,619	51,321,104	3.4%	4.5%
19) Carnegie Corporation of New York	970,733,101	36,027,902	3.7%	1,414,100,893	36,116,572	2.6%	5.4%
20) Houston Endowment	478,332,980	24,771,804	5.2%	1,299,723,058	52,203,610	4.0%	4.6%
21) Brown Foundation	491,032,823	22,415,073	4.6%	1,230,765,002	49,953,239	4.1%	4.5%
22) Joseph B. Whitehead Foundation	166,636,660	5,578,776	3.3%	1,185,831,096	16,914,664	1.4%	4.1%
23) Alfred P. Sloan Foundation	589,690,860	26,073,766	4.4%	1,079,985,069	48,578,806	4.5%	4.6%
24) James Irvine Foundation	512,267,472	24,282,920	4.7%	1,031,151,196	27,368,455	2.7%	4.5%
25) William Penn Foundation	441,135,017	20,390,394	4.6%	986,369,964	39,831,829	4.0%	5.8%
26) Moody Foundation	561,791,677	26,253,937	4.7%	887,395,759	31,470,741	3.5%	5.8%
27) Samuel Roberts Noble Foundation	366,670,516	12,852,904	3.5%	846,833,982	18,110,556	2.1%	4.4%
28) Joyce Foundation	332,353,796	11,233,683	3.4%	819,215,003	25,995,355	3.2%	4.2%
29) Weingart Foundation	456,117,091	19,055,686	4.2%	788,327,130	37,860,453	4.8%	5.0%
30) Dewitt Wallace Fund	174,646,255	3,471,977	2.0%	782,531,538	25,447,879	3.3%	4.6%
31) Meadows Foundation	527,202,048	17,917,684	3.4%	770,220,816	24,535,827	3.2%	5.3%
32) Ahmanson Foundation	493,976,780	25,134,606	5.1%	750,610,012	37,859,876	5.0%	4.7%
33) Longwood Foundation	319,717,982	11,084,747	3.5%	725,148,171	39,344,880	5.4%	4.3%
34) Bush Foundation	468,010,217	24,353,359	5.2%	684,286,506	27,183,156	4.0%	4.5%
35) Henry Luce Foundation	278,264,374	9,801,020	3.5%	679,635,420	26,760,134	3.9%	4.7%
36) J.E. & L.E. Mabee Foundation	358,643,759	20,295,231	5.7%	677,465,826	28,498,605	4.2%	4.7%
37) Hall Family Foundation	40,262,945	2,475,246	6.1%	676,985,229	16,247,096	2.4%	4.8%
38) Horace W. Goldsmith Foundation	245,707,593	1,920,957	0.8%	676,931,579	25,022,714	3.7%	4.0%
39) J. Bulow Campbell Foundation	110,677,297	5,272,764	4.8%	642,003,026	14,988,818	2.3%	4.7%
40) Lila Wallace - Reader's Digest Fund	129,898,080	2,817,750	2.2%	621,100,742	26,687,949	4.3%	4.4%
41) J. Howard Pew Freedom Trust	382,362,477	21,868,236	5.7%	620,953,094	26,267,778	4.2%	5.3%
42) George Gund Foundation	235,034,169	8,322,771	3.5%	620,468,169	22,810,148	3.7%	4.4%
43) Edna McConnell Clark Foundation	472,308,944	19,005,904	4.0%	579,457,001	27,653,536	4.8%	5.2%
44) McCune Foundation	287,213,953	17,837,244	6.2%	570,087,236	27,060,255	4.7%	5.1%
45) Surdna Foundation	382,414,466	17,357,054	4.5%	569,944,177	20,196,371	3.5%	5.0%
46) William Randolph Hearst Foundation	278,816,203	8,815,850	3.2%	568,581,462	17,196,175	3.0%	4.3%
47) George S. Eccles & Delores Dore Foundation	56,442,831	2,061,878	3.7%	567,567,178	18,750,074	3.3%	4.2%
48) Burroughs Welcome Fund	20,611,836	3,564,980	17.3%	554,583,447	22,345,605	4.0%	13.4%
49) Commonwealth Foundation	281,377,129	8,987,629	3.2%	554,505,590	14,754,403	2.7%	4.8%
50) Lynde & Harry Bradley Fund	456,701,999	24,960,482	5.5%	554,078,536	31,772,633	5.7%	5.9%
Average			**3.41%**			**3.36%**	**4.88%**

NOTE: The W. M. Keck Foundation was originally included in the IRS's top 50 list. We dropped it from our adapted table, since it had an average payout rate of 133.6%.
[1]To calculate the payout rate, the amount of (adjusted) qualifying distributions was divided by the amount of the monthly average of net investment (or noncharitable-use) assets. This payout formula adjusts qualifying distributions with additions and subtractions that are made to the required "distributable amount" on Form 990-PF. The numerator of the formula also includes excess distributions made in the past and applied to the filing requirement of the current year.

Source: Internal Revenue Service, *Large Nonoperating Private Foundations Panel Study, 1985-1997* , Statistics of Income Bulletin, Summer 2001, pp. 142-151.

ATTACHMENT D: Foundation Overhead Expenses and Grant Data and Ratios, Fiscal Year 2001

Foundation	Total overhead expenses (Form 990-PF, line 24a)	Total payout-related overhead expenses (Form 990-PF, line 24d)	Contributions, gifts, and grants (Form 990-PF, line 25d)	Total payout-related overhead expenses/Contributions, gifts, and grants
1) Lilly Endowment	18,942,698	13,897,943	598,001,581	2.3%
2) Ford Foundation	139,643,923	97,700,779	829,190,310	11.8%
3) David & Lucile Packard Foundation[1]	(66,372)	43,116,611	428,897,276	10.1%
4) Robert Wood Johnson Foundation	139,374,737	91,475,202	270,717,815	33.8%
5) WK Kellogg Foundation Trust[2]	29,333,258	-	229,000,000	n/a
6) John D. & Catherine T. MacArthur Foundation	67,005,166	26,565,043	167,945,326	15.8%
7) Robert W. Woodruff Foundation	2,189,703	968,395	142,362,296	0.7%
8) Andrew W. Mellon Foundation	32,179,756	11,789,218	182,321,993	6.5%
9) Rockefeller Foundation	54,124,874	34,083,431	127,099,365	26.8%
10) Pew Memorial Trust	28,075,958	19,433,670	126,584,560	15.4%
11) Starr Foundation	2,367,496	2,202,496	219,755,392	1.0%
12) Kresge Foundation	10,918,992	4,841,678	19,143,090	25.3%
13) Duke Endowment	16,783,407	5,654,254	105,192,627	5.4%
14) Charles Stewart Mott Foundation	13,885,106	14,986,500	110,829,012	13.5%
15) Harry & Jeanette Weinberg Foundation	21,322,882	1,174,924	77,329,311	1.5%
16) William & Flora Hewlett Foundation	13,764,465	10,917,409	119,955,933	9.1%
17) McKnight Foundation	11,104,962	5,752,822	90,790,523	6.3%
18) Richard King Mellon Foundation	9,800,239	2,315,222	58,608,007	4.0%
19) Carnegie Corporation of New York	22,168,235	12,545,629	56,363,235	22.3%
20) Houston Endowment	10,021,983	2,622,399	71,843,387	3.7%
21) Brown Foundation	5,001,388	669,297	62,446,805	1.1%
22) Joseph B. Whitehead Foundation	300,110	135,764	2,444,646	5.6%
23) Alfred P. Sloan Foundation	13,620,286	5,727,778	60,483,584	9.5%
24) James Irvine Foundation	18,566,048	10,951,872	59,017,797	18.6%
25) William Penn Foundation	8,242,288	3,659,920	64,653,552	5.7%
26) Moody Foundation	4,442,653	2,388,929	8,277,161	28.9%
27) Samuel Roberts Noble Foundation	33,421,772	21,187,577	7,996,500	265.0%
40) Lila Wallace - Reader's Digest Fund	6,386,819	4,085,902	25,934,748	15.8%
41) J. Howard Pew Freedom Trust	4,867,607	3,166,236	27,066,245	11.7%
42) George Gund Foundation	3,779,845	1,792,724	20,345,592	8.8%
43) Edna McConnell Clark Foundation	7,946,236	4,982,647	30,405,842	16.4%
44) McCune Foundation	2,592,078	1,209,390	25,629,376	4.7%
45) Surdna Foundation	5,814,859	4,127,393	39,531,216	10.4%
46) William Randolph Hearst Foundation	5,330,498	3,849,007	28,928,400	13.3%
47) George S. Eccles & Delores Dore Foundation	2,641,303	596,604	35,968,790	1.7%
48) Burroughs Welcome Fund	10,227,614	3,547,090	34,106,186	10.4%
49) Commonwealth Fund	11,656,902	8,300,274	15,349,829	54.1%
50) Lynde & Harry Bradley Fund	11,418,533	6,673,044	35,097,061	19.0%

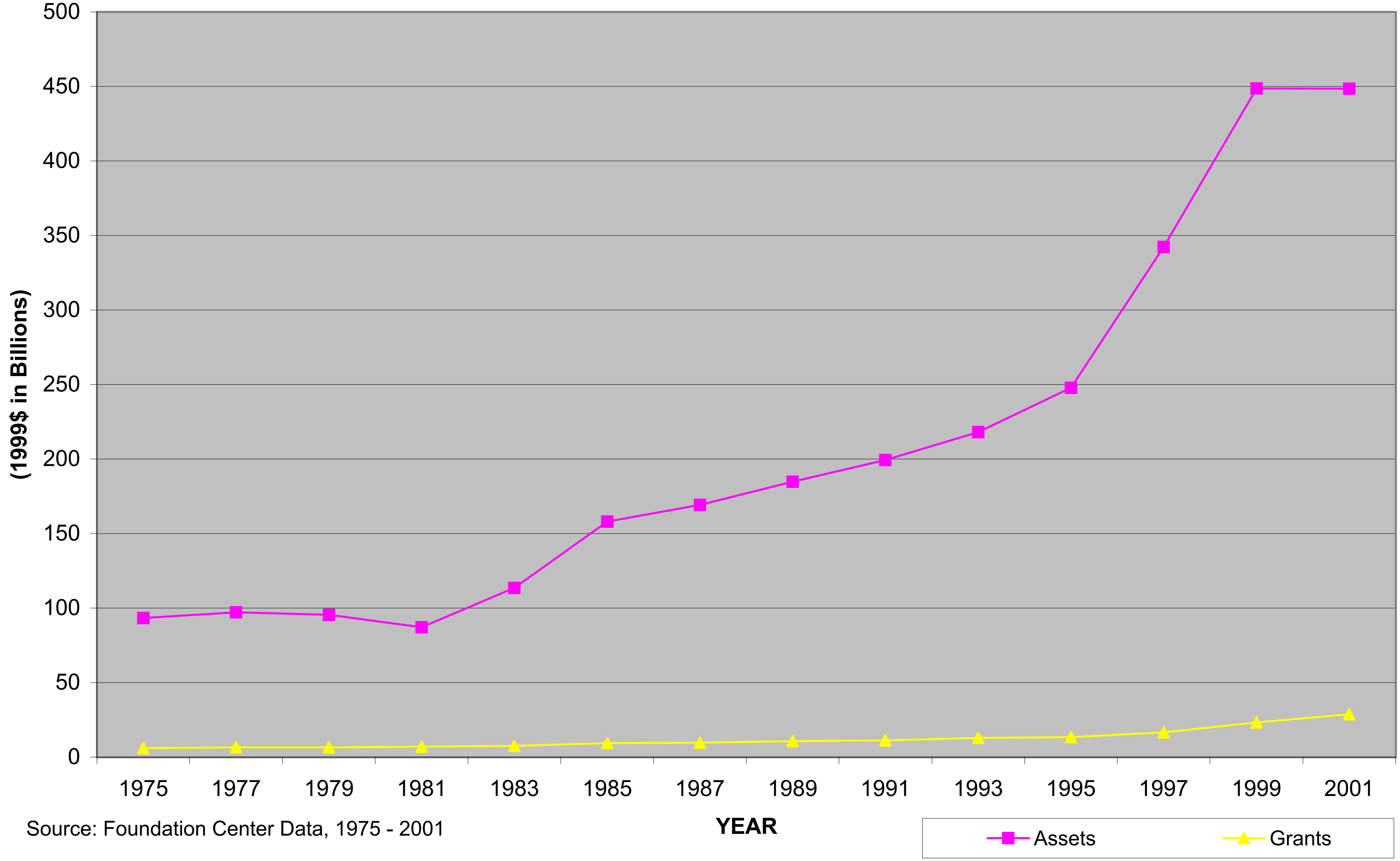
[1] The David and Lucile Packard Foundation reported almost $49 million of negative tax expenses. Presumably, the Foundation received a tax refund of some kind during 2001, but the reason for the refund is unknown.

[2] The WK Kellogg Foundation Trust makes a grant to the WK Kellogg Foundation in an amount that equals 5% of the Trust's assets. The Foundation (not the Trust) does the actual grantmaking to nonprofits. In 2001, the Foundation spent $56 million on total admin/operating costs and $51 million on "charitable" admin/operating costs.

Note: The W. M. Keck Foundation was originally included in the IRS's top 50 list. We dropped it from our adapted table, since it had an average payout rate of 133.6%.

Source: National Committee for Responsive Philanthropy analysis of IRS Form 990-PF filings, June 2003.

Attachment E: Asset and Grantmaking Growth of Grantmaking Private and Community Foundations



Source: Foundation Center Data, 1975 - 2001